

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

PERSONNEL COMPENSATION AND BENEFITS

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

SCOPE OF ACTIVITY

In 1968, Congress chartered the Government National Mortgage Association to help expand the supply of affordable housing in the United States by linking the capital markets to the nation's housing markets. Ginnie Mae accomplishes this by facilitating the financing of residential mortgage loans insured or guaranteed by the Federal Housing Administration (FHA), the Department of Veterans Affairs (VA), the U.S. Department of Agriculture (USDA) Rural Development Housing and Community Facilities Programs and the Secretary of Housing and Urban Development under Native American Indian Housing Loan Guarantee Program (Section 184 of the Housing and Community Development Act of 1992) and administered by the Office of Public and Indian Housing (PIH). This is administered through the activities associated with the Mortgage-Backed Securities (MBS), Multiclass Securities Programs, and the Home Equity Conversion Mortgages (HECM) program launched in October, fiscal year 2008.

Mortgage-Backed Securities Program. It is authorized by Title III of the National Housing Act, as amended, P.L. 73-479, codified at 12 U.S.C. 1716 et seq. Section 306(g) of the National Housing Act, to guarantee the timely payment of principal and interest on securities which are issued by approved entities and which are backed by FHA, VA, USDA Rural Development or PIH mortgages. Ginnie Mae's guarantee of mortgage-backed securities is backed by the full-faith and credit of the United States. Funds available to mortgagees to lend to borrowers are provided through investments in long-term securities guaranteed by Ginnie Mae that are backed by pools of such mortgages. The investment proceeds are used in turn to finance additional mortgage loans.

In fiscal year 2009, the Ginnie Mae Budget proposes a limitation on new commitment authority for single-class mortgage-backed securities (MBS) of \$200 billion and a net appropriation of \$9 million is proposed to fund salaries and expenses. In the Multiclass Securities Program, it is estimated that \$52.7 billion will be guaranteed and \$2 billion in the HECM program in fiscal year 2009. Since all Ginnie Mae guaranteed Multiclass securities are based on and backed by mortgage-backed securities issued pursuant to commitment authority, separate commitment authority will not be required for the Multiclass securities.

Ginnie Mae currently guarantees modified "pass-through" type securities. Modified pass-through securities provide payment to registered holders of interest plus the monthly installments of principal due on the pooled mortgages, whether or not collected, plus any additional principal collections.

Separate pass-through programs have been developed to finance single family homes, multifamily projects and manufactured housing. Ginnie Mae first issues a "commitment" to the prospective securities issuer (mortgagee) indicating that the firm meets Ginnie Mae's eligibility requirements. After Ginnie Mae issues the commitment, the issuer can begin to assemble mortgage pools and issue securities. Ginnie Mae's credit risk in this program is limited by mortgage insurance provided by Government agencies with respect to all pooled loans.

Ginnie Mae provides opportunities for both affordable homeownership and rental housing. By securitizing pools of mortgages as MBS, Ginnie Mae enables qualified mortgage lenders to access international capital markets. Lenders can then sell the securities at prices that allow them to offer loans to qualified homebuyers and developers at lower interest rates, thus lowering costs for homeowners and renters. Ginnie Mae does not make or purchase mortgage loans, nor does it buy, sell, or issue securities. Instead, private lending institutions approved by Ginnie Mae originate eligible government loans, pool them into securities, and issue MBS.

Multiclass Securities Program. In fiscal year 1994, Ginnie Mae began guaranteeing Real Estate Mortgage Investment Conduit (REMIC) and in fiscal year 1995, the Ginnie Mae Platinum securities. A pool or trust composed of mortgages or MBS back a REMIC security. The REMIC issuer issues certificates of interest to investors and elects to be taxed under the REMIC provisions of Federal tax law (Sections 860A through 860G of the Internal Revenue Code of 1986). REMICs are multiple class securities with different maturities, typically between 2 and 20 years, or with payments based on fractions of the MBS income stream. This multiple class characteristic is

Personnel Compensation and Benefits--Government National Mortgage Association

what largely distinguishes REMICs from single class Mortgage-Backed Securities of the kind that Ginnie Mae has been guaranteeing since 1970.

The Ginnie Mae Platinum security consolidates Ginnie Mae MBS pools with the same interest rate into larger pools that are sold to investors by securities dealers. Ginnie Mae, under its Multiclass securities program, will guarantee only securities based on and backed by mortgage-backed securities guaranteed by Ginnie Mae. Since all Ginnie Mae guaranteed Multiclass securities will be based on and backed by MBS issued securities pursuant to previously issued commitment authority, additional commitment authority will not be required for the Multiclass securities.

Targeted Lending Initiative. Ginnie Mae started and developed the Targeted Lending Initiative in fiscal year 1996. The Initiative is consistent with Ginnie Mae's statutory purpose to promote access to mortgage credit in the central cities by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing. Through the Targeted Lending Initiative, Ginnie Mae reduces the guarantee fees it charges lenders by up to 50 percent for making mortgage loans in any of the Nation's urban and rural Empowerment Zones or Enterprise Communities, adjacent eligible central city areas, and areas with a majority population of Native Americans.

	<u>POOLS</u>	<u>LOANS</u>	<u>MORTGAGE AMOUNT</u>
10/01/96 through 09/30/07 Estimated.....	30,068	761,536	\$81.9 billion

PROGRAM ACTIVITY

Status of Program. In fiscal year 2007, that Ginnie Mae's Mortgage-Backed Securities program approved \$99.8 billion in commitment authority and issued \$85.1 billion for its single-class guarantees. Guarantees of mortgage-backed securities are estimated at \$77.4 billion in fiscal year 2008 and \$120 billion in fiscal year 2009.

The estimated changes in the outstanding principal balance of mortgage-backed securities for fiscal years 2007, 2008, and 2009 are shown in the following table:

TYPE OF ACTIVITY BY FUNCTION

	<u>ACTUAL 2007</u>	<u>ESTIMATE 2008</u>	<u>ESTIMATE 2009</u>
	(Dollars in Thousands)		
Guarantees of Mortgage-Backed Securities			
Issued during year	\$85,071,000	\$77,400,000	\$120,000,000
Outstanding, end of year	427,566,299	445,458,363	476,683,708
MULTICLASS:	45,100,000	50,600,000	52,700,000
Issued during year			
Outstanding, end of year	201,000,000	201,600,000	202,300,000

HOME EQUITY CONVERSION MORTGAGES (HECMS)

America's aging population makes Home Equity Conversion Mortgages (HECMs) an increasingly attractive product for lenders, and Ginnie Mae has a capital markets solution to support this population (and prospective Ginnie Mae qualified lenders) HECMs allow homeowners aged 62 and older to tap into their home equity without repaying the money as long as they live in their homes. These "reverse mortgages" help more senior homeowners enjoy a better quality of life by allowing them to retain their homes and use their home's accumulated wealth to help with health care costs and other expenses.

Currently, FHA insures approximately 95 percent of all reverse mortgages. This allows Ginnie Mae-qualified lenders to help underserved and elderly borrowers while tapping into a safe, secure, and guaranteed capital markets solution. Ginnie Mae's securitization of HECMs will reduce costs to seniors by allowing lenders to offer loans at lower-than-market interest rates. By focusing on senior housing, Ginnie Mae is well positioned to serve the needs of a major demographic subgroup that is predicted to explode in the coming years.

Ginnie Mae is estimating that it will securitize \$2 billion HECM securities in fiscal year 2009.

	ACTUAL <u>2007</u>	ESTIMATE <u>2008</u>	ESTIMATE <u>2009</u>
	(Dollars in Thousands)		
<u>HECMs</u>			
Beginning Balance.....	...	...	\$361,000
Issued During Year.....	...	\$500,000	2,000,000
Liquidation.....	<u>...</u>	<u>139,000</u>	<u>430,000</u>
Ending Balance.....	...	361,000	1,931,000

**GOVERNMENT NATIONAL MORTGAGE ASSOCIATION**  
**Personal Services**  
**Summary of Change**  
**(Dollars in Thousands)**

	Actual <u>2007</u>	Enacted <u>2008</u>	Request <u>2009</u>	Increase + Decrease - <u>2009 vs. 2008</u>
FTE.....	65	69	69	0
Personal Services.....	\$7,726	\$8,250	\$8,559	+\$309

**GOVERNMENT NATIONAL MORTGAGE ASSOCIATION**  
**Summary of Requirements by Grade**  
**Salaries and Expenses**

	<u>Actual 2007</u>	<u>Enacted 2008</u>	<u>Request 2009</u>	<u>Increase + Decrease -</u>
<u>Grade:</u>				
Executive Level	0	1	1	0
Executive Service	5	6	6	0
GS-15	13	13	14	+1
GS-14	9	14	13	-1
GS-13	21	20	23	+3
GS-12	5	4	3	-1
GS-11	3	2	0	-2
GS-10	1	1	1	0
GS-9	5	4	5	+1
GS-8	0	0	0	0
GS-7	1	2	1	-1
GS-6	1	1	1	0
GS-5	1	1	1	0
GS-4	0	0	0	0
GS-3	0	0	0	0
GS-2	0	0	0	0
GS-1	0	0	0	0
Total Positions	65	69	69	0
Average ES Salary	\$157,446	\$162,170	\$167,035	+\$4,865
Average GS Salary	\$90,692	\$93,413	\$96,216	+\$2,803
Average GS Grade	12.6	12.7	12.7	0.00

EXPLANATION OF CHANGES FROM 2008 ESTIMATE TO 2009 ESTIMATE

The FTE level of 69.0 FTE for fiscal year 2009 remains unchanged. All positions are required to support the consolidation of program activities, to maintain and enhance performance accountability and risk management of Ginnie Mae programs, and to assure continuity of operations.

**The Office of the President** - The FTE level for fiscal year 2009 remains unchanged. (6.0 FTE)

**The Office of Management Operations** - The FTE level for fiscal year 2009 remains unchanged. (20.0 FTE)

**The Office of Mortgage-Backed Securities (MBS)** - The FTE level for fiscal year 2009 remains unchanged. (18.0 FTE)

**The Office of Program Operations** - The FTE level for fiscal year 2009 remains unchanged. (8.0 FTE)

**The Office of Capital Markets** - The FTE level for fiscal year 2009 remains unchanged. (3.0 FTE)

**The Office of Finance** - The FTE level for fiscal year 2009 remains unchanged. (14.0 FTE)

The attached charts display detailed staffing and workload estimates based on the Resource Estimation and Allocation Process (REAP) baseline data.

**Overall Summary of Government National Mortgage Association Staff Requirements**

	<b>Actual 2007</b>	<b>Enacted 2008</b>	<b>Request 2009</b>	<b>Increase + Decrease - 2009 vs 2008</b>
Headquarters.....	65.0	69.0	69.0	0.0
Field .....	0.0	0.0	0.0	0.0
<b>Total .....</b>	<b>65.0</b>	<b>69.0</b>	<b>69.0</b>	<b>0.0</b>

**Summary of Government National Mortgage Association Staff Requirements**

	<b>Actual 2007</b>	<b>Enacted 2008</b>	<b>Request 2009</b>	<b>Increase + Decrease - 2009 vs 2008</b>
<b><u>Headquarters Employment</u></b>				
Office of the President, Ginnie Mae	5.0	6.0	6.0	0.0
Office of Management Operations	19.3	20.0	20.0	0.0
Office of Mortgage-Backed Securities (MBS)	15.7	18.0	18.0	0.0
Office of Program Operations	8.0	8.0	8.0	0.0
Office of Capital Markets	4.0	3.0	3.0	0.0
Office of Finance	13.0	14.0	14.0	0.0
 Total, Government National Mortgage Association	 <b>65.0</b>	 <b>69.0</b>	 <b>69.0</b>	 <b>0.0</b>

**Details of Ginnie Mae Staff Requirements**

		----- Fiscal Year 2007 -----			----- Fiscal Year 2008 -----			----- Fiscal Year 2009 -----		
Workload Guideline	Workload Indicator	Actual Accomplish-ment	Actual Unit Cost (Hrs)	FTE	Projected Accomplish-ment	Projected Unit Cost (Hrs)	FTE	Projected Accomplish-ment	Projected Unit Cost (Hrs)	FTE
<b>Headquarters Employment</b>										
<b>Office of the President, Ginnie Mae</b>										
Overall Guidance of Ginnie Mae Activities	NA	...	...	2.0	...	...	3.0	...	...	3.0
Provide General Direction, Policy, and Program Development for Ginnie Mae Activities	NA	...	...	3.0	...	...	3.0	...	...	3.0
<b>Subtotal</b>				<b>5.0</b>			<b>6.0</b>			<b>6.0</b>
<b>Office of Management Operations</b>										
General Guidance of Ginnie Mae Management Operations	NA	...	...	2.0	...	...	2.0	...	...	2.0
Provide Administrative Support	NA	...	...	3.0	...	...	3.0	...	...	3.0
Provide Information Technology Support	NA	...	...	7.3	...	...	8.0	...	...	8.0
Support Procurement Activities and Contract Administration	NA	...	...	5.0	...	...	5.0	...	...	5.0
Perform Marketing Outreach Administration Functions	NA	...	...	2.0	...	...	2.0	...	...	2.0
<b>Subtotal</b>				<b>19.3</b>			<b>20.0</b>			<b>20.0</b>
<b>Office of Mortgage-Backed Securities (MBS)</b>										
General Guidance, Management Oversight, and Contract Administration of MBS Activities	NA	...	...	0.9	...	...	1.0	...	...	1.0
Support SF/Manufactured Housing MBS Program	# of SF / Manufactured Housing MBS Program Supported	34	428.24	7.0	34	493.18	8.0	34	493.18	8.0
Perform Monitoring and Asset Management	Total # of SF/ MH / Multifamily MBS Programs Supported	41	202.92	4.0	41	204.49	4.0	41	204.49	4.0
Support the Multifamily MBS Program	# of Multifamily MBS Programs Supported	7	742.86	2.5	7	1,197.71	4.0	7	1,197.71	4.0
Perform Contract Administration - MBS	NA			1.3			1.0			1.0
<b>Subtotal</b>				<b>15.7</b>			<b>18.0</b>			<b>18.0</b>
<b>Office of Program Operations</b>										

# Details of Ginnie Mae Staff Requirements

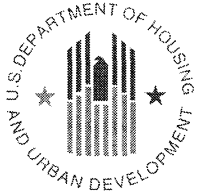
Workload Guideline	Workload Indicator	----- Fiscal Year 2007 -----			----- Fiscal Year 2008 -----			----- Fiscal Year 2009 -----		
		Actual Accomplish-ment	Actual Unit Cost (Hrs)	FTE	Projected Accomplish-ment	Projected Unit Cost (Hrs)	FTE	Projected Accomplish-ment	Projected Unit Cost (Hrs)	FTE
General Guidance of Ginnie Mae Program Operations	NA	...	...	2.0	...	...	2.0	...	...	2.0
Provide Program and Policy Support of MBS Programs and Capital Markets	# of Programs Supported	50	212.16	5.1	50	213.79	5.1	50	213.79	5.1
Provide Risk Management Support	NA	...	...	0.4	...	...	0.4	...	...	0.4
Perform Contract Administration - Office of Program Operations	NA	...	...	0.5	...	...	0.5	...	...	0.5
<b>Subtotal</b>				<b>8.0</b>			<b>8.0</b>			<b>8.0</b>
<b>Office of Capital Markets</b>										
General Guidance of Capital Markets Activities	NA	...	...	0.1	...	...	0.1	...	...	0.1
Provide Multi-Class Securities Transactions Functions	NA	...	...	0.5	...	...	0.5	...	...	0.5
Perform Capital Market Activities	NA	...	...	2.5	...	...	1.5	...	...	1.5
	# of Multi-Class Program Participants serviced									
Conduct Monitoring and Risk Management Functions		78	1.58	0.1	78	1.58	0.1	78	1.58	0.1
Perform Contract Administration - Office of Capital Markets	NA	...	...	0.8	...	...	0.8	...	...	0.8
<b>Subtotal</b>				<b>4.0</b>			<b>3.0</b>			<b>3.0</b>
<b>Office of Finance</b>										
Provide General Guidance for the Office of Finance	NA	...	...	1.0	...	...	1.0	...	...	1.0
Provide General Oversight and Support to Financial Activities	NA	...	...	0.5	...	...	0.5	...	...	0.5
Provide Cash Control and Internal Control audit Functions	NA	...	...	4.5	...	...	5.5	...	...	5.5
Provide Cash Management and Disbursements	NA	...	...	3.5	...	...	3.5	...	...	3.5



**Details of Ginnie Mae Staff Requirements**

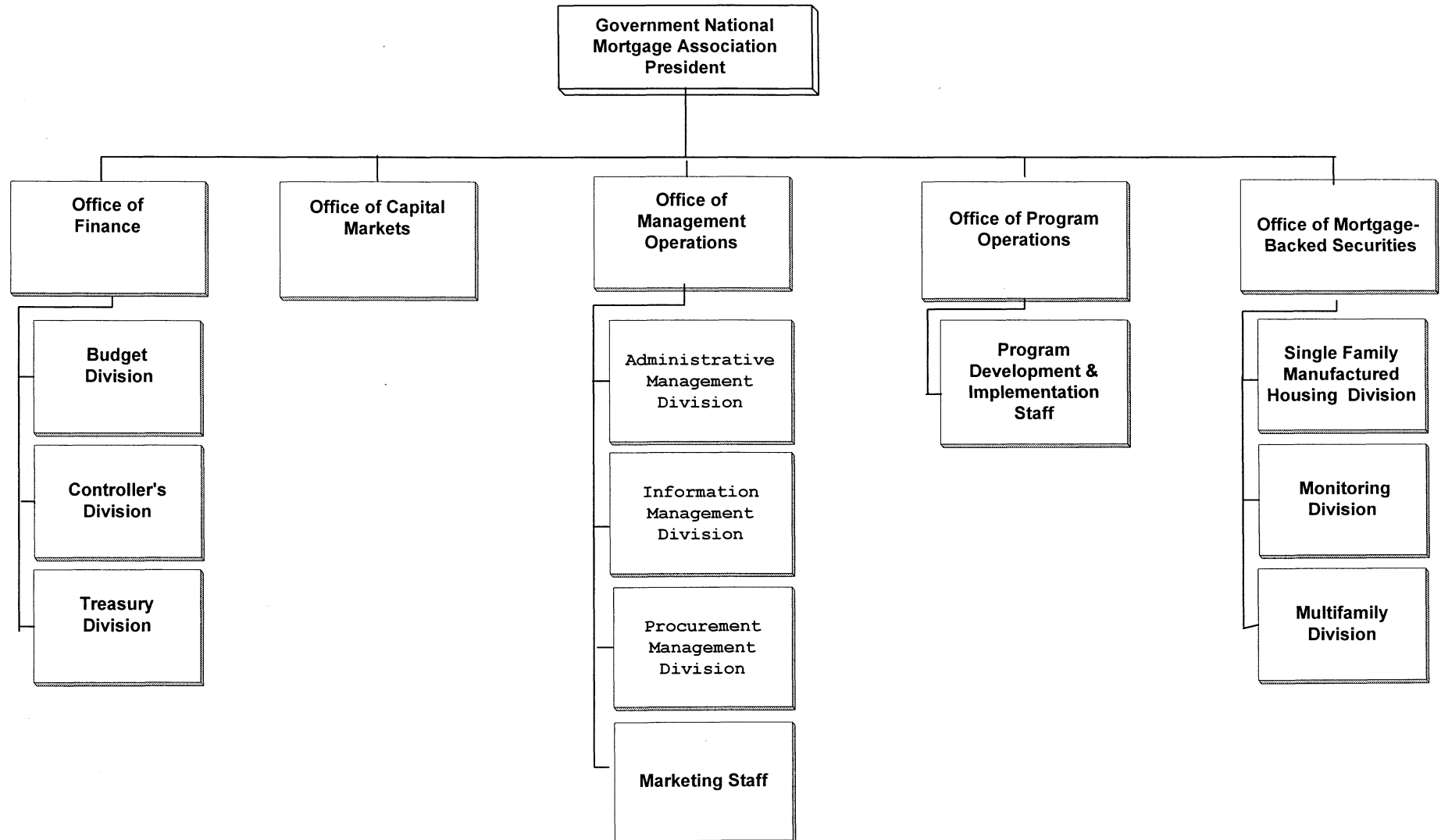
		----- Fiscal Year 2007 -----			----- Fiscal Year 2008 -----			----- Fiscal Year 2009 -----		
<b>Workload Guideline</b>	<b>Workload Indicator</b>	<b>Actual Accomplish-ment</b>	<b>Actual Unit Cost (Hrs)</b>	<b>FTE</b>	<b>Projected Accomplish-ment</b>	<b>Projected Unit Cost (Hrs)</b>	<b>FTE</b>	<b>Projected Accomplish-ment</b>	<b>Projected Unit Cost (Hrs)</b>	<b>FTE</b>
Perform Budgetary/Financial Management Activities	NA	...	...	2.5	...	...	2.5	...	...	2.5
Perform Contract Administration - Office of Finance	NA	...	...	1.0	...	...	1.0	...	...	1.0
<b>Subtotal</b>				<b>13.0</b>			<b>14.0</b>			<b>14.0</b>
<b>Ginnie Mae Total</b>				<b>65.0</b>			<b>69.0</b>			<b>69.0</b>





# GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

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February 4, 2008

